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REPORT

ST. BERNARD PARISH HOME
MORTGAGE AUTHORITY

MARCH 31, 2004 AND 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-29-04

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY

TABLE OF CONTENTS

MARCH 31, 2004 AND 2003

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3 - 6
FINANCIAL STATEMENTS:	
Statements of Net Assets	7
Statements of Revenues, Expenses and Changes in Fund Net Assets	8
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10 - 17
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	18 - 19
SUMMARY SCHEDULE OF FINDINGS	20



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INDEPENDENT AUDITOR'S REPORT

June 8, 2004

Board of Trustees
St. Bernard Parish Home
Mortgage Authority
Chalmette, Louisiana 70043

We have audited the accompanying financial statements of the St. Bernard Parish Home Mortgage Authority, a component unit of the Parish of St. Bernard, as of March 31, 2004 and 2003 as listed in the foregoing index to the report. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully described in Note 1, the financial statements present only the Home Mortgage Authority operations of St. Bernard Parish for the years ended March 31, 2004 and 2003 and are not intended to present fairly the results of operations of the Parish of St. Bernard.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Bernard Parish Home Mortgage Authority at March 31, 2004 and 2003 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the St. Bernard Parish Home Mortgage Authority adopted the provisions of the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2002.

Management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2004 on our consideration of St. Bernard Parish Home Mortgage Authority's internal control over financial reporting and our tests of its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

ST. BERNARD PARISH
HOME MORTGAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2004 AND 2003

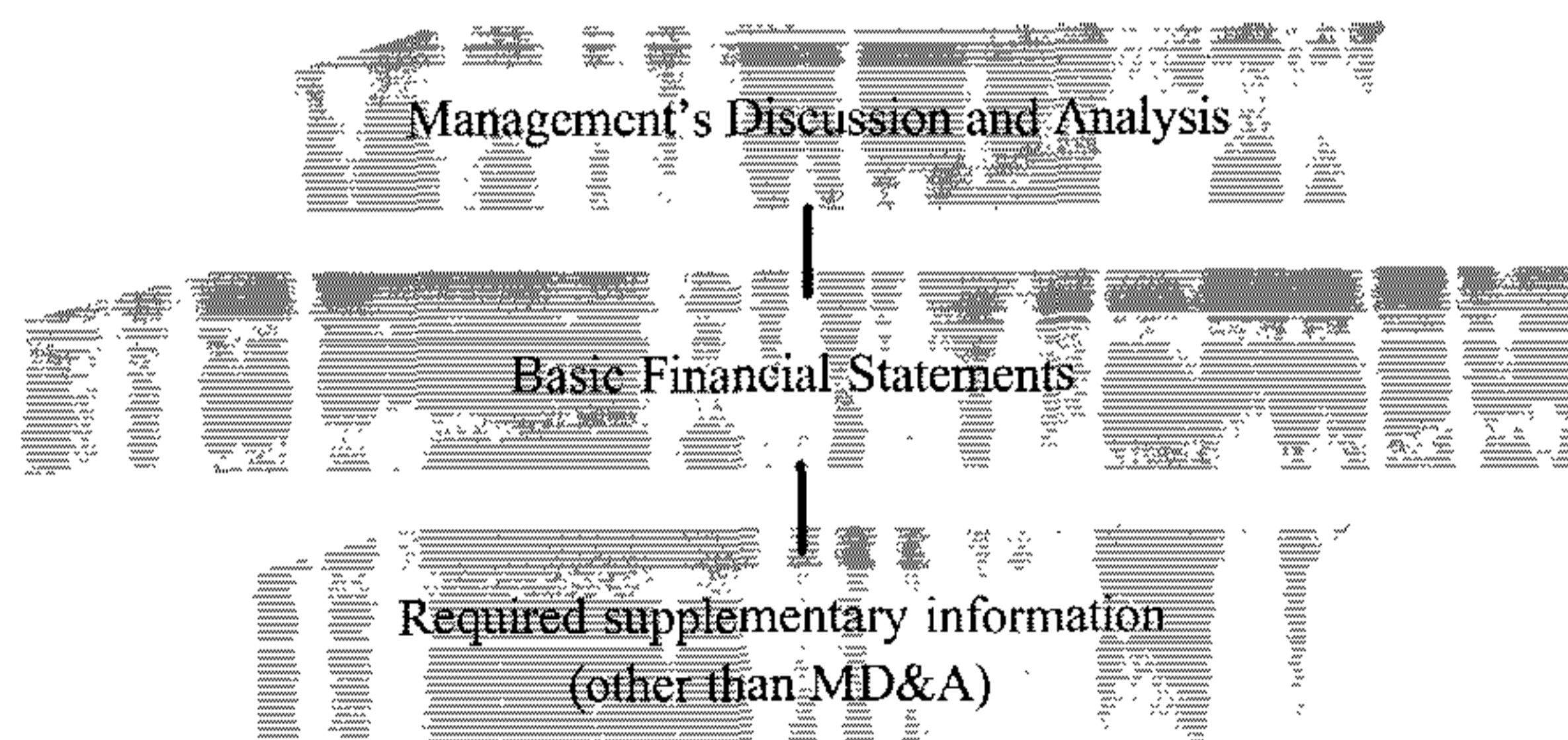
The Management's Discussion and Analysis of the St. Bernard Parish Home Mortgage Authority's financial performance presents a narrative overview and analysis of St. Bernard Parish Home Mortgage Authority's financial activities for the years ended March 31, 2004 and 2003. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the St. Bernard Parish Home Mortgage Authority's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- All outstanding bonds of the Authority were called, defeased or paid off in full during the year ended March 31, 2004.
- All outstanding mortgage loans of the Authority were sold during the year ended March 31, 2004.
- The St. Bernard Parish Home Mortgage Authority's assets exceeded its liabilities at the close of fiscal years 2004 and 2003 by \$505,317 and \$1,497,847, respectively. This represents a decrease from 2003 to 2004. The net assets decreased by \$992,530 (or 66%).
- The St. Bernard Parish Home Mortgage Authority's operating revenues decreased \$47,797 (or 75%) and the net results from operations increased by \$41,114 (or 37%). These changes result from the termination of the Authority's mortgage programs and defeasance of bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements, if applicable, for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



ST. BERNARD PARISH
HOME MORTGAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2004 AND 2003

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the St. Bernard Parish Home Mortgage Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page 7) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the St. Bernard Parish Home Mortgage Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 8) presents information showing how St. Bernard Parish Home Mortgage Authority's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement (page 9) presents information showing how St. Bernard Parish Home Mortgage Authority's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income to net cash provided by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
as of March 31, 2004 and 2003
(in thousands)

	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 505	\$ 2,377
Noncurrent assets	<u>--</u>	<u>667</u>
Total assets	<u>505</u>	<u>3,044</u>
Other liabilities	--	1
Long-term debt outstanding	<u>--</u>	<u>1,545</u>
Total liabilities	<u>--</u>	<u>1,546</u>
Net assets:		
Unrestricted	<u>505</u>	<u>1,498</u>
Total net assets	<u>\$ 505</u>	<u>\$ 3,044</u>

ST. BERNARD PARISH
HOME MORTGAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2004 AND 2003

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, loan agreements or other requirements. Conversely, unrestricted net assets are those that do not have any limitations on what these amounts may be used for.

Net assets of St. Bernard Parish Home Mortgage Authority decreased by \$992,530 (or 66%), from March 31, 2003 to March 31, 2004. The main cause of the decrease is the \$773,000 transfer to St. Bernard Parish and the expenses related to the sale of mortgage loans and the defeasance and call of bonds.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
for the years ended March 31, 2004 and 2003
(in thousands)

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 16	\$ 64
Operating expenses	<u>(86)</u>	<u>(175)</u>
Operating loss	<u>(70)</u>	<u>(111)</u>
Non-operating revenues (expenses)	<u>(29)</u>	<u>425</u>
Extraordinary item	<u>(120)</u>	<u>—</u>
Transfer out	<u>(773)</u>	<u>—</u>
Net increase in net assets	<u>\$ (992)</u>	<u>\$ 314</u>

The St. Bernard Parish Home Mortgage Authority's total revenues decreased \$321,967 or (66%). The total cost of all programs and services increased by \$984,508 (or 562%). The main cause of the decrease in revenue is the termination of the mortgage programs and the sale of investments. The main cause of the increase in costs is the transfer to St. Bernard Parish and the expenses related to the sale of mortgage loans and the defeasance and call of bonds.

**ST. BERNARD PARISH
HOME MORTGAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The St. Bernard Parish Home Mortgage Authority has no capital assets.

Debt

The St. Bernard Parish Home Mortgage Authority had no bonds payable outstanding at year-end, compared to \$1,544,647 last year. All bonds were called, defeased or paid off in full during the year ended March 31, 2004.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

There were no amendments to the original budget.

NEXT YEAR'S BUDGETS

The St. Bernard Parish Home Mortgage Authority's appointed officials considered the following factors when setting next year's budget. These factors include:

- The termination of the Authority's mortgage programs during the year ended March 31, 2004.
- All bonds of the Authority were called, defeased or paid off in full during the year ended March 31, 2004.

**CONTACTING THE ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the St. Bernard Parish Home Mortgage Authority's finances and to show the St. Bernard Parish Home Mortgage Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jack A. Stephens, Chairman, P. O. Box 168, Chalmette, Louisiana 70044.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
 STATEMENTS OF NET ASSETS
MARCH 31, 2004 AND 2003

ASSETS

	<u>2004</u>	<u>2003</u>
CURRENT ASSETS:		
Cash (Note 2)	\$ 305,850	\$ 10,198
Cash equivalents (Notes 1 and 2)	199,467	326,990
U.S. Government Securities (Notes 1 and 2)	-	1,838,240
Guaranteed investment contract (Notes 1 and 2)	-	97,012
Mortgage loans receivable (Notes 3 and 4)	-	86,245
Accrued interest receivable	-	7,230
Deferred financing costs - Net of amortization (Note 1)	-	6,582
Prepaid expenses	-	4,206
	<u>505,317</u>	<u>2,376,703</u>
NONCURRENT ASSETS:		
Mortgage loans receivable (Notes 3 and 4)	-	600,706
Deferred financing costs - Net of amortization (Note 1)	-	66,321
	<u>-</u>	<u>667,027</u>
TOTAL ASSETS	\$ <u>505,317</u>	\$ <u>3,043,730</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accrued interest payable (Note 4)	\$ -	\$ 1,236
Bonds payable (Notes 1 and 4)	-	80,790
	<u>-</u>	<u>82,026</u>
TOTAL CURRENT LIABILITIES	\$ <u>-</u>	\$ <u>82,026</u>
NONCURRENT LIABILITIES:		
Bonds payable (Notes 1 and 4)	-	1,463,857
	<u>-</u>	<u>1,463,857</u>
Total liabilities	\$ <u>-</u>	\$ <u>1,545,883</u>
NET ASSETS:		
Unrestricted	<u>505,317</u>	<u>1,497,847</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>505,317</u>	\$ <u>3,043,730</u>

See accompanying notes.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Interest earned on mortgage loans (Note 3)	\$ 16,096	\$ 63,893
Total operating revenues	<u>16,096</u>	<u>63,893</u>
OPERATING EXPENSES:		
Interest (Note 4)	57,155	126,611
Amortization of deferred financing costs (Note 1)	6,290	18,339
Servicing fees (Note 3)	725	3,108
Mortgage loan insurance costs	206	329
Operating expenses	<u>21,919</u>	<u>26,819</u>
Total operating expenses	<u>86,295</u>	<u>175,206</u>
OPERATING LOSS	<u>(70,199)</u>	<u>(111,313)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest earned on investments (Note 2)	4,176	9,002
Realized and unrealized gain on investments	146,912	416,256
Amortization of deferred financing costs (Note 1)	(62,742)	-
Loss on sale of mortgage loans (Note 3)	<u>(117,250)</u>	-
Total nonoperating revenues (expenses)	<u>(28,904)</u>	<u>425,258</u>
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM AND TRANSFER	(99,103)	313,945
EXTRAORDINARY ITEM (NOTE 4)	(120,427)	-
TRANSFER OUT (NOTE 7)	<u>(773,000)</u>	-
CHANGE IN NET ASSETS	(992,530)	313,945
Net assets, beginning of year	<u>1,497,847</u>	<u>1,183,902</u>
NET ASSETS, END OF YEAR	<u>\$ 505,317</u>	<u>\$ 1,497,847</u>

See accompanying notes.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 23,326	\$ 85,553
Cash paid for goods and services	<u>(46,629)</u>	<u>(56,391)</u>
Net cash provided (used) by operating activities	<u>(23,303)</u>	<u>29,162</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Bond redemptions	(1,501,743)	(298,545)
Escrow payment for bond defeasance	(132,116)	-
Expenses of defeasance	(57,750)	-
Transfer out	<u>(773,000)</u>	<u>-</u>
Net cash used by noncapital financing activities	<u>(2,464,609)</u>	<u>(298,545)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in mortgage loans receivable	686,951	336,964
Purchase of investments	-	(468)
Proceeds from sale of investments	2,082,164	-
Interest received on investments	4,176	9,002
Expenses of sale of mortgage loans	<u>(117,250)</u>	<u>-</u>
Net cash provided by investing activities	<u>2,656,041</u>	<u>345,498</u>
INCREASE IN CASH AND CASH EQUIVALENTS	168,129	76,115
Cash and cash equivalents - beginning of year	<u>337,188</u>	<u>261,073</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 505,317</u>	<u>\$ 337,188</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	\$ (70,199)	\$ (111,313)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Amortization of deferred financing costs	6,290	18,339
Amortization of bond discount	30,406	103,243
(Increase) decrease in prepaid expenses	4,206	(36)
(Increase) decrease in accrued interest receivable	7,230	21,661
Increase (decrease) in accrued interest payable	<u>(1,236)</u>	<u>(2,732)</u>
Net cash provided (used) by operating activities	<u>\$ (23,303)</u>	<u>\$ 29,162</u>

See accompanying notes.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2003

NATURE OF OPERATIONS

The St. Bernard Parish Home Mortgage Authority (the "Authority") was created through a Trust Indenture dated May 9, 1979 pursuant to provisions of Chapter 2-A of Title 9 of the Louisiana Revised Statutes of 1950, as amended. The initial legislation and subsequent amendments grant the Authority the power to obtain funds and to use the proceeds to promote the financing and development of any essential program conducted in the public interest within the boundaries of St. Bernard Parish, Louisiana.

The Authority's operations consisted two single family mortgage revenue bond programs and two single family mortgage refunding bond programs whereby the Authority promoted residential home ownership through the acquisition of mortgage loans secured by first mortgage liens on single family residential housing. The funds for these programs were obtained through the issuance of bonds, which were general obligations of the Authority. As of March 31, 2004, all bonds of the Authority have been defeased or paid off in full.

The Authority has a Board of Trustees which contracts with outside parties to conduct the day-to-day operations of the programs it initiates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and reporting standards. The Authority applies all GASB pronouncements as well as Financial Accounting Standards (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

These financial statements were prepared in accordance with GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. All activities of the Authority are accounted for within a single proprietary (enterprise) fund. This fund type is used to report any activity for which a fee is charged to external users for good and services. In addition, these financial statements include the implementation of GASB Statement Number 34, *Basic Financial Statement – Management's Discussion and Analysis for – State and Local Governments* and related standards commencing with the year ended March 31, 2003.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Reporting Entity

Government Accounting Standards Board (GASB) Statement No. 14 has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointment of a voting majority of the governing board
 - a. The ability of the parish government to impose its will on the organization
 - b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity
2. Organizations which are fiscally dependent
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship

Because the parish government appoints the governing board, the Authority was determined to be a component unit of the St. Bernard Parish Government, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only on the funds maintained by the Authority and do not present information on the parish government, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

Annually, the St. Bernard Parish Government issues audited financial statements, which include the activity contained in the accompanying financial statements.

Basis of Reporting

The financial statements include the activities of the 1979 single family mortgage revenue bond program and the 1991 and 1992 single family mortgage refunding bond programs.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting

The Authority follows the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when the related liability is incurred. Certain funds were established under the powers granted by the Bond Trust Indentures. The funds, which were maintained by the trustee bank, provided for the accounting of bonds issued, debt service and bond redemption requirements, investments, and related revenues and operating expenses.

Amortization

Bond issuance costs, including underwriter's discount on bonds sold, were amortized ratably over the life of the bonds based upon the principal amounts outstanding.

Discounts on bonds payable were amortized over the lives of the bonds using the level yield method.

Investments

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates.

Statements of Cash Flows

For purposes of the statements of cash flows, the Authority considers all short-term, highly liquid investments with maturity of three months or less to be cash equivalents.

2. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Deposits

At March 31, 2004 and 2003, deposits in the amount of \$305,850 and \$10,198, respectively, (bank balance) were entirely covered by federal depository insurance and pledged securities.

Cash Equivalents

Cash equivalents consist of government backed pooled funds. The funds are held by the Authority's custodian's trust department in the Authority's name. The funds are managed by the Authority's custodian.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2003

2. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Investments

The Authority's investments as of March 31, 2003 are categorized below to give an indication of the level of risk assumed by the Authority. No investments were held by the Authority at March 31, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Authority's name.

	March 31, 2003	
	Market Value	Category
Guaranteed Investment Contracts	\$ 97,012	2
U.S. Government securities	1,838,240	2
	\$ 1,935,252	

Market values were furnished by the Authority's custodial bank.

The bond indentures authorized the Trustee to make investments under prudent investment standards reasonably expected to produce the greatest investment yield.

3. MORTGAGE LOANS RECEIVABLE:

In accordance with the Trust Indenture of the 1991 Single Family Mortgage Revenue Refunding Bonds, the right, title and interest in the mortgage loans of the 1980 program were transferred to the 1991 program as of March 1, 1991.

In accordance with the Trust Indenture of the 1992 Series B Single Family Mortgage Refunding Bonds and the 1992 Series C Tax Exempt Single Family Mortgage Revenue Bonds, the right, title and interest in the remaining mortgage loans of the 1979 program were transferred to the 1992 program as of June 1, 1992. Certain mortgage loans of the 1979 program were sold prior to this date.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2003

3. MORTGAGE LOANS RECEIVABLE: (Continued)

Mortgage loans receivable acquired by the Authority from participating mortgage lenders under the 1979 program which were transferred to the 1992 program had a stated rate of 8.375%. The mortgage loans under the 1980 program previously had a stated rate of 11.5%, but after transfer to the 1991 program had a stated rate of 9.3%. These mortgage loans, which were granted only to residents of St. Bernard Parish, had scheduled maturities of thirty years and were secured by first mortgages on the related real property. Each participating mortgage lender serviced those loans purchased from it by the Authority and received compensation for services rendered.

During the year ended March 31, 2004, all outstanding mortgage loans of the 1991 and 1992 programs were sold by the Authority, resulting in a loss on sale of \$117,250. The loss consisted of costs incurred for attorney fees and structuring agent fees.

4. BONDS PAYABLE:

The net proceeds obtained from the 1979 and 1980 bond issues were used to establish funds authorized by the Bond Trust Indentures and to purchase eligible mortgage loans secured by first mortgage liens on single family owner-occupied residences from qualified mortgage lenders accepted for participation in the programs by the Authority.

On March 31, 1991, the Authority issued \$4,435,000 in Single Family Mortgage Refunding Bonds with an interest rate of 8% to advance refund \$5,900,000 of outstanding 1980 Series bonds with an interest rate of 10.75%. The 1980 Series bonds have since been retired.

On June 1, 1992, the Authority issued \$11,255,000 in Single Family Mortgage Refunding Bonds, \$200,000 (maturity amount) in 1992 Series B-2 Single Family Mortgage Refunding Bonds, \$3,000,000 (maturity amount) in 1992 Series C Single Family Mortgage Revenue Bonds, and \$2,130,000 in 1992 Series B-1 Single Family Mortgage Refunding Bonds to advance refund \$16,470,000 of outstanding 1979 Series bonds with interest rates of 5.87% to 7.5%. The net proceeds of \$13,795,143 (after \$1,621,319 in underwriting fees, trustee costs, and cash requirements) plus an additional \$4,294,455 of 1979 reserve fund money, loan proceeds and accrued interest were used to purchase Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1979 Series Bonds. As a result, the 1979 bonds are considered defeased and the liability for those bonds was removed from the financial statements. At March 31, 2004 and 2003, \$12,825,000 of the defeased bonds were still outstanding.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2003

4. BONDS PAYABLE: (Continued)

On June 10, 2003, the Authority defeased the 1992 Series B-2 Single Family Mortgage Refunding Bonds using current financial resources. Government securities were purchased for \$132,116 and deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Series B bonds. The defeasance resulted in an extraordinary loss of \$120,427. Since these bonds were defeased, the liability for these bonds has been removed from the financial statements. At March 31, 2004, \$200,000 of the defeased bonds were still outstanding.

On July 15, 2003, the 1992 Series C Single Family Mortgage Revenue Bonds were called.

During the year ended March 31, 2004, the remaining outstanding bonds of the 1991 Single Family Mortgage Refunding Bonds were paid in full.

During the year ended March 31, 2003, the remaining outstanding bonds of the \$2,130,000 1992 Series B-1 Single Family Mortgage Refunding Bonds were paid in full.

Outstanding bonds payable were due on a term and serial basis and bore interest at rates as follows:

March 31, 2004:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Single Family Mortgage Revenue Bonds:					
1992 program Series C, zero coupon, due 2014 at maturity value of \$3,000,000, discounted to yield approximately 7.65%	\$ 3,000,000	\$ --	\$ 3,000,000	\$ --	\$ --
Single Family Mortgage Refunding Bonds:					
1991 Program, due 1994-2012, 8%.	185,445	--	185,445	--	--
1992 Program Series B-2, zero coupon, due 2014 at maturity value of \$200,000, discounted to yield approximately 9.25%.	<u>200,000</u>	<u>---</u>	<u>200,000</u>	<u>---</u>	<u>---</u>
	3,385,445	--	3,385,445	--	\$ <u>---</u>
Less: Bond discount	<u>(1,840,798)</u>	<u>---</u>	<u>1,840,798</u>	<u>---</u>	
	<u>\$ 1,544,647</u>	<u>\$ ---</u>	<u>\$ 1,544,647</u>	<u>\$ ---</u>	

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2003

4. BONDS PAYABLE: (Continued)March 31, 2003:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Due Within One Year</u>
Single Family Mortgage Revenue Bonds: 1992 program Series C, zero coupon, due 2014 at maturity value of \$3,000,000, discounted to yield approximately 7.65%, unamortized discount was \$1,712,969 at March 31, 2003.	\$ 3,000,000	\$ --	\$ --	\$ 3,000,000	\$ --
Single Family Mortgage Refunding Bonds: 1991 Program, due 1994-2012, 8%.	356,877	--	(171,432)	185,445	80,790
1992 Program Series B-1, due 2011, 7.5% stated rate, discounted to yield approxi- mately 7.84%, unamortized discount was \$-0- at March 31, 2003.	127,113	--	(127,113)	--	--
1992 Program Series B-2, zero coupon, due 2014 at maturity value of \$200,000, discounted to yield approximately 9.25%, unamortized discount was \$127,829 at March 31, 2003.	<u>200,000</u>	<u>--</u>	<u>--</u>	<u>200,000</u>	<u>--</u>
	3,683,990	--	(298,545)	3,385,445	<u>\$ 80,790</u>
Less: Bond discount	<u>(1,944,041)</u>	<u>--</u>	<u>103,243</u>	<u>(1,840,798)</u>	
	<u>\$ 1,739,949</u>	<u>\$ --</u>	<u>\$(195,302)</u>	<u>\$ 1,544,647</u>	

5. BOARD OF TRUSTEES EXPENSES:

The members of the Authority's Board of Trustees receive no compensation for their services rendered but are reimbursed for their actual travel costs incurred in connection with their duties as trustees of the Authority.

6. ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2003

7. TRANSFER TO ST. BERNARD PARISH:

During the year ended March 31, 2004, the Authority transferred \$773,000 to the Parish of St. Bernard to be used for any lawful purpose of the Parish.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.

ANN M. HARGES, C.P.A.
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KENNETH J. BROOKS, C.P.A., ASSOCIATE

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A.J. DUPLANTIER JR., C.P.A.
(1919-1985)

FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)

MEMBERS
AMERICAN INSTITUTE OF

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 8, 2004

Board of Trustees
St. Bernard Parish Home
Mortgage Authority
Chalmette, Louisiana 70043

We have audited the financial statements of the St. Bernard Parish Home Mortgage Authority as of and for the year ended March 31, 2004, and have issued our report thereon dated June 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the St. Bernard Parish Home Mortgage Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Bernard Parish Home Mortgage Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of St. Bernard Parish Home Mortgage Authority's Board of Trustees, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24: 513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

ST. BERNARD PARISH HOME MORTGAGE AUTHORITY
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED MARCH 31, 2004

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of St. Bernard Parish Home Mortgage Authority for the year ended March 31, 2004 was unqualified.
2. Internal Control
Material weaknesses: none noted
Reportable conditions: none noted
3. Compliance
Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENT AUDITING STANDARDS
GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

None